

The Transatlantic Trade and Investment Partnership: Ambiguities, opportunities, challenges

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Introduction

After a year of preparation (and twenty years of dialogue) the US and EU agreed in June 2013 to open negotiations on a Transatlantic Trade and Investment Partnership (TTIP). The target year for ending the first step of these negotiations is mid 2014 – clearly an unrealistic target.

This paper provides an overview of the main aspects of the TTIP negotiations, its expected results at this very early stage of the negotiations and its impact on non-TTIP countries. It also pays attention to the support granted to TTIP by policy-makers in the EU and US because it would be unwise to assume that a strong political support does pre-exist, while there are plenty of old (audiovisuals) and new (data protection) toxic transatlantic disputes capable to set on fire almost instantly public opinion on both sides of the Atlantic.

Beyond the description of stated goals and expected results and consequences, the paper argues that TTIP can be really successful only if the two sides are convinced that they need domestic reforms in order to improve the performances of their domestic economy and if they see TTIP as a key instrument for achieving these domestic reforms. In turn, these conditions require innovations in the way TTIP negotiations will be pursued. Without such innovations, TTIP will deliver only gains – at the margin – and it will be unable to mobilize a strong political support – a dangerous situation for its success.

The paper is organized as follows. Section 1 raises the fundamental question on the exact role of TTIP: is it a trade agreement or one element of a China containment strategy? Section 2 argues that it would be unwise to take as granted the existence of a strong political support

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 an agreement at this early stage of negotiations. Section 4 presents briefly the innovations
 OOK
 margin) N 0 -TTIP countries. Section 6 concludes on
 the Japan-EU Free Trade Agreement (JEUFTA) in the TTIP context .

Section 1. TTIP: A Trade Agreement or Geo-political “Grandes Manoeuvres”?

In the 1960s, a North Atlantic Free Trade Agreement (NAFTA) among the US, Canada,
 Britain and the then European Community was proposed, but never came to birth. This
 I AO had a clear geo-political dimension: it was an attempt to reshape the
 existing world rules in order to challenge the Soviet Union, the then super-power. Fifty years
 later, TTIP echoes this initiative when it is presented I OJ or as a -
 initiative vis-à-vis the rest of the world.

These echoes raise the following question. What is the true nature of TTIP? Is it a trade
 agreement aiming at improving market access in order to boost the welfare of the US and the
 EU, and possibly of the rest of the world? Or is it a key component of geo-political grandes
 challenging the today rising super-power China?

A geo-political dimension has never been absent from preferential trade agreements
 (hereafter PTAs). Indeed, almost all the PTAs negotiated so far by the US and the EU have
 been driven by geo-political motives from US-Bahrain to US-Australia to EU-Turkey to
 EU-Mexico, etc. But, this motive did not prevent the content of all these PTAs to be largely
 driven by economic factors for two reasons. First, the EU and US partners were deliberately
 using these PTAs as a way to buttress and boost the much needed but politically painful
 domestic reforms the best illustration being the Korean willingness to accept the
 liberalization of its audiovisual markets as a *de facto* - F -US FTA
 (KORUS). Second, these PTAs offered a good opportunity to the EU and the US to export
 their
 partners were relatively small economies.

None of these features exists in the TTIP case. First, the TTIP impact on each TTIP economy would be much greater than the impact of any other PTA because of the size of the TTIP

) All the protectionist lobbies will be on alert on both sides of the Atlantic. Second and more importantly the appetite for domestic regulatory reforms is not as big in the US and in the largest EU Members States (EUMS) as it was (still is) for Korea [Hamilton and Schwartz 2012]. For instance, the current coalition programme may send back Germany to the wrong direction (introduction of minimum wage) it escaped with difficulty a decade ago; Britain is engulfed in constitutional domestic and EU battles that prevents her to recognize the huge influence she has had on the EU and to build on it; is too early to say whether France will stop procrastinating and whether Italy and Spain could change the whole EU reform trajectory. Meanwhile, the Commission continues to pile up costly regulations even if that fuels increasing hostility all over the EU.

All these circumstances make the true nature of TTIP a fundamental question on which it seems that the US and the EU positions are not in harmony.

- In the US, there are TTIP supporters in the two camps: those who see TTIP above all as an initiative for creating larger, more efficient markets, and those who perceive TTIP essentially as the eastern flank of the Trans-Pacific Partnership (TPP) which constitutes the core of the China-containment strategy [Rosecrance 2013, Eizenstatt 2013].
- By contrast, most of the EU TTIP supporters favor the trade agreement focus, leaving no room for a China containment policy [Defraigne 2013]. This approach is not driven by purely commercial reasons. It flows from the conviction in the EU that a confrontational approach is not a satisfactory approach in the long run.

A corollary of these differences is that the US and the EU have different views on their negotiations with Japan. The US sees its agreement with Japan as a core building block of a credible China containment policy. In contrast, the EU perceives the Japan-EU Free Trade Agreement (hereafter JEUFTA) as a key component of a *rapprochement* in East Asia, including with China and Taiwan.

Section 2. Political support to TTIP: Better not to take it as granted

The official speeches launching the TTIP which stress the common values, the deep and long economic ties between the EU and the US and the enormous benefits that such negotiations should bring raise a very naive question. Why then has TTIP been the last mega-PTA to be launched, whereas all these arguments suggest that it should have been the first to be launched?

A first answer is provided by economic calculations which suggest that the welfare gains from TTIP would be roughly Euros 100-150 billions (in GDP terms) for each partner [Francois et al. 2013]. Official speeches have endlessly trumpeted these gains as huge. But, they look modest once measured with respect to the whole US or EU economy roughly Euros 12 trillions each a modesty that will not escape the attention of the US and EU top-politicians (Heads of State and governments).

Such a modest outcome may come as a shock. It may rightly be argued that these calculations tend to under-estimate TTIP gains for many technical reasons (data, methods, etc.). But, this disturbing conclusion echoes the views of many observers from the business community who expect TTIP (as conceived today) to deliver only)

This converging view of economists and business people deliver two not one important messages. First, it explains the top-politicians cautious support to TTIP. The TTIP gains do not differ that much from those for the TPP or JEUFTA. But, its costs are quite different. TTIP has the potential to generate much more political turmoil than any other ongoing mega-PTA with its very many old and new trade conflicts ready to set on fire public opinion. It is the costs side that makes the costs-benefits balance less favourable for TTIP than for JEUFTA or even TPP.

A too low level of leadership from the top-politicians will in turn make the TTIP fate more depending on geo-political considerations, hence volatile. This has already been witnessed in two recent episodes where TTIP was endangered in the EU by the leaks on the US National Security Agency phone spying and in the US by the price agreement between the EU and China in the antidumping measures on solar panel cells [International New York Times 29 July 2013, page 1].

That said, it is crucial to stress that the predicted modest gains from TTIP delivers a second message more important than the first one. It is that the TTIP gains side should be boosted in order to improve the costs-benefits balance of the whole initiative. As argued below, that requires innovations in the negotiating approach more precisely, in the instruments to be used by the TTIP negotiators.

If top-politicians are cautious, the TTIP fate falls in the hands of the other decision-makers negotiators, business people, NGOs and all the other vested interests. Table 1 focuses on the opposing forces among business groups. The main EU and US sectors are split into hostile, hesitant and supportive, depending on the predicted post-TTIP trade balances in each sector. Table 1 suggests a rather uncertain global balance of business forces, with a central role for three sectors (chemicals, cars and business services) which are themselves torn apart by internal divisions (cars for instance).

Table 1. The global balance of forces among sectors: uncertain

		US sectors expected to be		
		hostile (net ratio < 1)	hesitant (net ratio > 1 and < 2)	supportive (net ratio > 2)
EU sectors expected to be	supportive (net ratio > 2)	Cell 7 Finance Insurance	Cell 8 Other manufactures	Cell 9 <u>Other machinery</u>
	hesitant (net ratio > 1 and < 2)	Cell 4 Processed foods	Cell 5 <u>Chemicals</u> <u>Motor vehicles</u> <u>Business services</u>	Cell 6 Other transport equip.
	hostile (net ratio < 1)	Cell 1 Other primary sectors <u>Electrical machinery</u> Wood & paper products <u>Other services</u>	Cell 2 <u>Metals & metal products</u>	Cell 3 Agriculture, forestry, fish Personal services

Notes: Sectors are assumed to be hostile to TTIP if export/import ratios are lower than 1 (imports grow more than exports as a result of the TTIP agreement), supportive if these ratios are higher than 2, and hesitant otherwise. Sectors in underlined and bold letters show the largest weight in trade changes (more than US\$ 10 billion US\$ in the comprehensive but conservative scenario). Source5A)- . .)

Section 3. The main TTIP negotiated topics: an overview

The report written by the High Level Working Group (HLWG) for preparing the TTIP negotiations provides a broad picture of the main topics to be negotiated. Table 2 provides a

The HLWG report lists the main negotiating issues under three headings: market access, (see columns in Table 2). However, this presentation does not reflect the reality of trade negotiations, with their highly specialized negotiating teams (in industrial goods, farm products and processed food, services, etc.). If there is one lesson to draw from TPP negotiations, it is that it is really hard to overstep such a reality. Table 2 reintroduces this reality with six broad clusters listed in the rows. Trade-offs will first happen within each cluster – for instance, industrial tariff cuts vs. measures on technical barriers to trade (norms). Whether there will be efforts to get trade-offs among the clusters in order to close the deal is the key unknown which echoes the question of how strong the support from top-politicians will ultimately be.

Table 2. A “map” of the TTIP negotiated topics

	Market access	Regulatory matters	Rules
Industrial goods	tariffs rules of origin TTIP safeguards tariff-equivalents subsidies	technical barriers to trade	patents (pharma, chem.)
Farm and food	tariffs (and RoO) tariff-rate quotas TTIP safeguards subsidies (export & dom.)	sanitary & phytosanitary	geographical indications
Services	scope: audiovisuals TTIP safeguards	regulatory barriers data protection	copyright protection
Investment	coverage		dispute settlement
Public procurement	coverage		
New rules	trade facilitation state-owned enterprises localization barriers raw materials & energy	environment small and medium firms	labor competition policy transparency

Source: HLWG Report [2013].

Industrial goods

The most likely outcome for this cluster is a complete tariff elimination, with possibly a very few exceptions. But, caution is needed because peak tariffs (tariffs higher than 10 percent) abound in the US and EU tariff schedules. In manufacturing, the US will probably be the main source of trade diversion generating discriminations against thi

This is because, if the US and the EU have almost the same number of industrial peak tariffs

(7.5 percent of their industrial tariff lines), one third of the US peak tariff lines exhibit tariffs above 15 percent, compared to only one-tenth for the EU. The usual solution to difficult peak tariff cuts is longer implementation periods. In this respect, TTIP may have hard time to achieve what the KORUS and KOREU have achieved, that is, 91 to 99 percent (respectively) of tariff lines with no tariff three years after the entry into force, elimination of all the remaining tariffs 10 and 5 years (respectively) after the entry into force.

There will also be negotiations on non-tariff barriers (NTBs) such as technical barriers to trade (TBT). As illustrated in Table 3, NTBs in industrial goods are high for both trade and investment flows. Discussions on TBTs are unlikely to deliver substantial benefits if the EU and US negotiators do not use the innovative negotiating instruments described in section 4 for reasons evoked in the same section.

Table 3. Non-tariff barriers in services: tariff equivalents and basic indexes

	Tariff equivalents (%)		NTB indexes Trade		NTB indexes Investment	
	US [a]	EU [b]	US [a]	EU [b]	US [a]	EU [b]
	1	2	3	4	5	6
Manufacturing sectors						
Average of all sectors	18.0	18.6	38.9	40.0	26.1	28.5
Average of the more protected sectors	24.4	24.4	44.6	44.9	38.0	41.2
Average of the less protected sectors	11.5	12.8	31.1	36.9	18.2	19.2
Farm and processed food sectors						
Food & beverages	73.3	56.3	45.5	33.6	21.8	20.9
Services sectors						
Average of all sectors	10.2	9.6	37.8	30.1	11.4	16.7
Average of the more protected sectors	17.5	11.3	34.6	29.2	14.2	16.4
Average of the less protected sectors	3.0	8.0	41.0	30.9	8.6	16.9

Source: Ecorys [2009].

The HLWG makes no reference to two crucial topics of negotiations which can undo all the progresses made on tariff and NTB cuts. First are the rules of origin. The economic impact of TTIP agreements on rules of origin is very uncertain. As the US and the EU have very different regimes (vs. - respectively), badly conceived compromises may make the new rules even more restrictive than the current ones.

The HLWG makes also no reference to bilateral (intra-TTIP) safeguards. The KOREU and KORUS suggest that such provisions are likely to be strong in cars and textiles-clothing, and to exist in electronics, chemicals and pharmaceuticals. Moreover, TTIP sectoral safeguards

may be very WTO-minus they combine the WTO-minus features of the KOREU and KORUS corresponding provisions.

Farm products and processed food

Remarkably, the HLWG processed leaving thus no clue on one of the most protected clusters on both sides. As shown by Table 3, the EU will be the main source of trade diversion in these sectors, but the US is a non negligible source of discrimination. The products with the highest tariffs are generally processed food not farm products (a classical case of tariff escalation).

The HLWG reference to tariff-rate quotas (TRQ) as a solution is worrisome, all the more because of the huge size of the EU and US agricultural and processed food markets. TRQs are a well known recipe for endless and petty negotiations leading ultimately to quotas too small to have any beneficial impact on domestic prices, but big enough to provide substantial rents to exporters and to generate political turmoil because they give the false impression that liberalization is going on.

The HLWG report mentions the need to deal with sanitary and phyto-sanitary (SPS) issues. But, the TTIP capacity to address the thorniest SPS issues the EU ban of beef hormones, the US ban on beef imports or the EU inability to take clear decisions on GMOs is questionable. However, the situation is evolving, as illustrated by the fact that EU farmers are increasingly realizing that the bans on GMOs reduce their efficiency (in March 2012, some French farmers have challenged the French ban on GMO maize in court). Similarly, it is hard to see a deep TTIP compromise on Geographical Indications (GI). GI are mere trademarks for the US, whereas for the EU there are monopoly rights granted under strict locational conditions. An option would be to rely F # ch the EU approach would prevail) and their individual components (for which the US approach would prevail). For instance, Provolone Valpadena (a Provolone cheese produced in the Valpadena region is protected under KOREU) but not Provolone [Schott and Cimoto 2013].

Finally, TTIP is unlikely to address domestic farm subsidies. This is a shame since the EU and the US have the combined size to improve the world situation in these matters. It is all

the more the case because the global amount of subsidies has not much changed on the two sides of the Atlantic meaning a *de facto* increase of subsidies per farmer since the number of farmers has substantially decreased on both sides of the Atlantic. The same observation could be done for the huge subsidies for bio-fuel crops (roughly 18 percent of the total EU farm income in 2009) with no positive impact on the environment [Pehnelt and Vietze 2012, Messerlin 2012].

Services

The HLWG report adopts a careful approach in services ahead of calls for new market access and recognizing the sensitive nature of certain sectors. This careful wording did not prevent the EU bullied by France to set aside (maybe provisionally) audiovisual services and the US to exclude *de facto* maritime (and air) transport.

Services are often seen as the main source of gains from TTIP. However, the available estimates do not confirm this view and again these estimates are broadly in line with the business . This surprising conclusion may be explained by two factors. First, Table 3 shows that protection in services () is lower than the one in industrial goods (except for a few cases, such as US financial and insurance services or EU other business services). Second, services look much more open in terms of direct investment than goods.

That said, the HLWG primary goal is much less easy to define that it looks at a first glance. Table 4 illustrates this point in the EU case (no equivalent data for US States) with the highest and lowest OECD- (PMRs) indicators for 18 EUMS [OECD 2011].

Table 4 first shows how much the EU Internal Market is fragmented since barriers as measured by the PMRs vary greatly from one EUMS to another. Then, how to define the binding reference? Is it the autonomous liberalization done between 2003 and 2007 by the most protected EUMS? Or is it the liberalization achieved by the second highest PMR among the large EUMS in 2007? Or, is it the liberalization achieved by the most open EUMS?

Table 4. Barriers to market access in selected services and EUMS, 2003-2007

	2003		2007					
	Highest PMR	A: Highest PMR		B: Highest PMR in large EUMSs [a]		Nbr EUMS between A and B	Lowest PMR	
		PMR	EUMS	PMR	EUMS		PMR	EUMS
Electricity [c]	60.0	41.7	Sweden	33.2	France	3	0.0	Britain
Construction	12.8	12.2	Belgium	10.0	Italy	0	3.6	Sweden
Distribution [d]	41.5	40.9	France	40.9	France	0	12.7	Sweden
Tourism	16.5	13.2	Slovakia	7.6	Italy	3	3.4	Sweden
Transport	55.8	43.8	Greece	28.9	Italy	3	9.1	Denmark
Post & telecoms	32.6	27.8	Slovakia	24.2	France	2	12.0	Netherlands
Financial services	46.8	45.9	Slovakia	29.4	Italy	2	10.5	Ireland
Real estate	9.5	7.6	Poland	4.3	Germany	3	1.5	Greece
Renting machinery	42.4	42.0	Austria	39.2	Germany	0	10.5	Sweden
Business services [d]	41.3	40.8	Austria	38.5	Germany	0	10.0	Sweden

Notes: PMR indicators rank the existing level of protection associated to current services regulations in the services sectors covered (they should not be interpreted as tariff-equivalents). The services listed represent roughly two-thirds of the entire US and EU service sectors. [a] Number of EUMSs with a PMR within the range of PMRs in the two previous columns. [b] Number of EUMSs with a PMR within the range of PMRs in the two previous columns. [c] No PMRs for electricity are available for the Central European EUMSs. [d] These two services are among the best candidates for liberalization according to the 2008 WTO Signalling exercise. Source: OECD (2011) Messerlin and van der Marel (2012).

The HLWG is silent on two basic modalities of negotiations in services. First, it does not specify whether negotiations should be based on positive lists or negative lists for improving market access? The EU (so far a proponent of positive lists) seems ready to shift to negative lists (that is, every service is deemed to be liberalized except those listed). But, then the EU would probably insist that a negative list approach requires that the US lists its commitments at the US States level, an exercise never fully done by the US so far and absolutely crucial in some services of great interest for EU firms (personal and business services). Second, the HLWG report does not mention whether TTIP negotiators introduce "negative lists" (which specify the conditions locking in any new liberalization measure so that this measure could not be revoked or nullified afterwards).

Intellectual property rights in services means above all copyright protection. In this domain, TTIP may be tempted to go too far – even further than KOREU and KORUS – because the EU and US are home of powerful vested interests, from Hollywood to the beneficiaries of the French audiovisual policy. This would be quite counter-productive from an economic point of view: it would fuel increased right infringements and it would weaken the capacity to innovate in the EU and the US because of the too fat rents from monopoly-based copyright protection.

Investment

Both negotiating sides are trouble-makers in this domain. The US has very precise views on the investment dispute settlement procedures – a key reason of the collapse of the OECD negotiations on the Multilateral Investment Agreement and a topic facing fierce oppositions in the TPP negotiations. The EU is embroiled in a muffled but raging internal fight between the Commission (eager to grab the additional power associated to the EU exclusive competence recently granted by the Treaty of Lisbon in this domain) and the few EU Member States (such as Germany) which enjoy profitable bilateral investment treaties and unwilling to share them with the other EUMS.

Public Procurement

While investment is an issue mostly supported by the US, public government is a topic mostly pushed by the EU. C P since the P procurement has been shown inaccurate, with the EU and US openness being broadly similar [Messerlin and Miroudot 2012]. Progress is possible, essentially by expanding the coverage of the entities to be subjected to this TTIP chapter.

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O OOI that the EU and the US have tried to include in their respective PTAs since the mid-1990s. In many respects, this is the most worrisome aspect of TTIP – a coalition trying to shape the world governance in accordance to the interests of dominant but declining economies.

Moreover, all these topics raise serious problems of credibility. For instance, what is the TTIP credibility on the EU sustainable development goal with the collapse of the CO2 prices in the European Emission Trading System, the withdrawal of the unilateral EU CO2 scheme on air transport, the inability to remove the subsidies on bio-fuels and on fossil fuels, the very hasty retreat from nuclear energy and the increase of imports of coal – all evolutions leading

to an increase of CO2 emissions in the EU? What is the TTIP credibility on competition policy (when the OECD has worked on these topics for years), on SMEs (a topic severely downgraded in the TTP negotiations) or on raw materials and state-owned enterprises (with the US ban on oil exports and the EU state-owned -influenc enterprises)?

Section 4. Mega-PTAs require negotiating innovations

TTIP, JEUFITA and TPP involve mostly modern economies. Such economies are torn apart between two economic forces: the desire for harmonization associated to scale economies and the endless appetite for diversity in goods and services fueled by economies of scope. So far, the first force has been the most powerful hence the massive efforts during the last three to four decades to harmonize norms in goods (harmonization has dented only in very few services where diversity has always been prevalent). But, the huge technological progress of the two last decades allows to satisfy the endless diversity in goods and services at increasingly lower costs turning harmonization into a constraint. The EU five-decades harmonization approach in the car sector has recently faced a remarkable limit when Daimler refused to enforce a new, less polluting harmonized norm for car coolant because it found that this new coolant was more flammable. This case illustrates the increasing difficulties to define a norm that is unambiguously better than any alternative from all the conceivable criteria (pollution vs. safety in the Daimler case).

In this new world, approach than harmonization (or its weak form of mutual recognition) [Messerlin 2011, 2014, Morall III 2011]. Under mutual equivalence, two countries decide, after a joint evaluation by their relevant regulatory bodies of their existing norms for a given good or regulations for a given service, that these norms or regulations are) In such cases, producers are allowed to produce the good or service under the regulations of their own country and to sell it to the consumers of the other country without any other formality.

Mutual equivalence is the only way to really get a er of two economies because it does not generate the costs that harmonization imposes inevitably since choosing a new norm and implementing it in a harmonized way are far to be cheap.

Mutual evolution delivers another huge benefit this time with respect to the rest of the world. It substitutes the - advocated by some TTIP supporters. This is because mutual equivalence induces the regulator of a country to be innovative by producing the best norms possible while continuing to be trusted by its regulator (in order to still pass the test of the joint evaluation). The more innovative a regulator is, the more attractive the regulations it designs are for its own domestic firms, for those of its PTA partner and of the rest of the world. In other words, a mutual equivalence approach has built-in motives for regulators to dimension from the start when reforming domestic regulations.

If only based on harmonization (or its weaker form of mutual recognition), TTIP agreements on norms and regulations are doomed to deliver only) The US and the EU should thus grab the opportunity offered by mutual equivalence in order to make significant progress in integrating some markets. The number of such markets may be limited. But this is not a serious problem as long as TTIP is conceived as a living agreement meaning that the EU and US agree to return to the negotiation table in the future in order to open further markets.

Section 5. TTIP and the rest of the world

The rest of the world is unlikely to stay inactive if TTIP achieves substantial results, hence generates severe discriminations against non-PTA members. This would be particularly the case if TTIP negotiations have a too strong flavor of (One West vs. the Rest of the World)

All the non-TTIP to the TTIP discriminatory potential.

Non-TTIP countries with a PTA with the US and/or the EU potential if their PTAs) very few countries: Korea, Canada, possibly Mexico. These countries will of their preferences, but this is both inevitable and desirable from a broad economic perspective.

The situation is different for the countries without a PTA with the EU and the US which represent roughly three-quarters of the combined EU and US GDP. All the emerging economies are in this situation. These powerful countries should be expected to react to TTIP.

First, they could put collectively pressure to re-launch the Doha Round or to focus on the Trade in Services Agreement (TISA) negotiations. Re-launching the Doha Round seems unlikely. TISA may be a more plausible alternative, if only because of the limited number of like-minded participants.

Indeed, the fates of TTIP and TISA appear largely inter-dependent. If TTIP negotiations deliver only improved market access at the margin, political support to TTIP is then doomed to be too low. In such a case, TISA becomes attractive not because it will deliver significantly deeper results than those of TTIP, but because it will deliver these limited increases in market access on a wider range of countries and possibly services. If correct, a good yardstick to measure the TTIP progress in services negotia OOK declarations or the number of TTIP rounds of negotiations, but the intensity of the TISA negotiations.

Section 6. TTIP, the EU and Japan

all the mega-PTAs which do not include it. There is the increasing recognition in Europe that a PTA with China is needed, particularly if the WTO negotiations are not revived. Such a goal may scare politicians in European capitals and indeed in Beijing but it is inescapable in the long run from an economic point of view.

This situation leads often to under-estimate E position. Japan is decisive in determining the balance between the freer trade and China-containment components of TPP. In fact, the true TPP negotiations have only started with the Japan-US bilateral negotiations.

The JEUFITA is giving to the EU the unique opportunity to expand quickly its pivot to East Asia that started with KOREU. Compared to TTIP, JEUFITA has some decisive advantages. It is not polluted by heavy geo-strategical motives and it is much less sensitive to old or new conflicts capable to set on fire public opinion. It clearly focuses on economic aspects, including Japan as N P s (and the EU as Africa for Japanese firms), in the rest of Asia, including in China, enjoyed by EU firms capable to enter successfully into tough Japanese markets. Last but not least, Japan

has never been very much interested in exporting its book of regulations, hopefully inducing the EU to be more modest in this respect. And Japan is more convinced than the US about the need for domestic regulatory reforms, an attitude that should hopefully stimulate the EU in this respect and that is the best guarantee for innovative JEUFTA negotiations.

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